

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Competitive Product Prices
Priority Mail & First-Class Package Service Contract 97
(MC2019-107)
Negotiated Service Agreements

Docket No. CP2019-116

ORDER APPROVING AMENDMENTS ONE AND TWO TO
PRIORITY MAIL & FIRST-CLASS PACKAGE SERVICE NEGOTIATED SERVICE
AGREEMENT

(Issued June 16, 2020)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail & First-Class Package Service negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendments.

¹ USPS Notice of Amendment to Priority Mail & First-Class Package Service Contract 97, Filed Under Seal, April 22, 2020 (Amendment One Notice). USPS Notice of Amendment to Priority Mail & First-Class Package Service Contract 97, Filed Under Seal, June 9, 2020 (Amendment Two Notice) (collectively, Notices). The amendments are attachments to the Notice (Amendment One and Amendment Two, respectively) (collectively, Amendments).

In Order No. 5035, the Commission approved the Priority Mail & First-Class Package Service Contract 97 negotiated service agreement (Existing Agreement).² On April 22, 2020, the Postal Service filed notice that it has agreed to Amendment One to the Existing Agreement. On April 23, 2020, Chairman's Information Request No. 1 was issued.³ CHIR No. 1 noted that Amendment One would revise the Existing Agreement so that the Postal Service would provide the customer with Priority Mail packaging, and asked the Postal Service to file financial workpapers accounting for the cost of providing that packaging. CHIR No. 1, question 1. On April 30, 2020, the Postal Service filed a response to CHIR No. 1, stating that the change in the packaging term was unintentional, and that it would file an additional amendment to correct that term.⁴ That additional amendment was filed with the Commission on June 9, 2020.

Both Amendments are intended to take effect three business days after the Commission completes its review. Notices at 1.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notices, the Response to CHIR No. 1, and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of

² See Docket Nos. MC2019-107 and CP2019-116, Order Adding Priority Mail & First-Class Package Service Contract 97 to the Competitive Product List, April 3, 2019 (Order No. 5035).

³ Chairman's Information Request No. 1, April 23, 2020 (CHIR No. 1).

⁴ USPS Response to Chairman's Information Request No. 1, April 30, 2020, question 1 (Response to CHIR No. 1).

institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

Amendment One revises the implementation of tiered pricing. Amendment One Notice, Attachment A at 2-6. Amendment One also specifies a list of prohibited ZIP codes, revises terms related to packaging and manifesting, and explicitly prohibits reselling. *Id.* at 1-2. Amendment Two revises the packaging terms to explicitly prohibit providing the customer with packaging. Amendment Two Notice, Attachment A at 1.

With the revision to the packaging term in Amendment Two, the Amendments collectively do not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendments shall become effective three business days after the date that the Commission completes its review. Notices at 1.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail & First-Class Package Service Contract 97 negotiated service agreement, as amended.

2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Erica A. Barker
Secretary